



**JOHNSON FELLOWS**  
CHARTERED SURVEYORS

**Jacey Buildings**

**40/48 Birmingham Road**

**Sutton Coldfield**

**West Midlands B72 1QQ**

**Service Charge Expenditure Report**

**1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015**



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Johnson Fellows. Charter House, Newhall Street, Birmingham, B3 1SW





## **Introduction**

This report has been produced by Johnson Fellows on behalf of the Landlord, Hawksvalley Properties Limited. It is intended to provide details of the expenditure incurred during the service charge year 1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015.

## **The Property**

The subject property is located within Sutton Coldfield and consists of a three storey parade, comprising of four ground floor retail units and eleven residential long leasehold flats above. The front of the parade consists of a forecourt for access and loading / unloading to the retail units. The rear benefits from a communal landscaped area and designated fire exit routes. Internal common areas include corridors and stairs leading to the residential flats.

## **Service Charge Objectives**

The objective of Johnson Fellows as Managing Agents is to provide a high quality management service. In so doing we aim to provide a well maintained environment, delivering value for money for the service charge expenditure.

The objective of this expenditure report is to provide a clear explanation of the service charge expenditure on a not for profit/not for loss basis. It is also to promote clarity and transparency.

Should any occupier have comments on the format, or the information contained in this report which would assist in the report being improved for the benefit of all concerned, these comments would be welcomed. We would also welcome constructive feedback on the communal services provided at the property.

The service charge is administered having regard to Service Charges in Commercial Property; RICS Code of Practice 3<sup>rd</sup> Edition, and the Service Charge Residential Management Code; RICS Code of Practice 2<sup>nd</sup> Edition.

## **Residential Service Charge Obligations**

In accordance with the Landlord & Tenant Act 1987, Section 48, it is confirmed that the Landlord is Hawksvalley Properties Limited and their address for the service of notices is 6 South Bar, Banbury, Oxfordshire OX16 9AA.

For the residential long leaseholders, please refer to the enclosed details at Appendix C for the legislation relevant to the service charge. For any individual works required where any residential long leaseholders' contribution exceeds £250 plus VAT, we will consult with the relevant leaseholders.



## **VAT**

The Landlord has elected the property for VAT.

The VAT on the service charge expenditure attributable to the residential part of the property cannot be recovered by the landlord; therefore the gross expenditure is charged to the residential leaseholders only. The VAT on the commercial expenditure can be recovered, consequently the net costs plus VAT are applied, enabling the commercial leaseholders to recover the VAT charged to them.

## **Voids and Concessions**

Where any void units exist, the responsibility for the service charge rests with the Landlord. 46-48 Birmingham Road was vacant for a proportion of the year.

## **Banking**

Due to the general level of service charge funds, we do not maintain the funds within a discrete bank account. As a consequence the service charge is not credited with any interest, neither are any bank charges allocated to the service charge. The funds are held within the Johnson Fellows Clients Account, which is maintained with Barclays Bank plc.

Interest charged on the late payment of service charge by tenants is to be credited to the service charge.

There is a reserve fund in place in order to accrue funds for the resurfacing of the rear walkways. The total balance at the date of this report stands at £2,117.37. The reserve fund is held in a separate interest earning account.



## **Management Team**

### Facilities Manager:

Chris Monteith

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0409

Mobile: 07786 072 755

Email: [chris.monteith@johnsonfellows.co.uk](mailto:chris.monteith@johnsonfellows.co.uk)

Chris Monteith is responsible for the repair and maintenance of the property and statutory compliance.

### Management Surveyor:

Ian Starbuck

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0462

Mobile: 07887 745 635

Email: [ian.starbuck@johnsonfellows.co.uk](mailto:ian.starbuck@johnsonfellows.co.uk)

Ian Starbuck is responsible for the overall management of the property.

### Service Charge Accountant:

Rebecca Glover

Client Accounts

Johnson Fellows, Charter House, 163 Newhall Street, Birmingham, B3 1SW

Direct Dial: 0121 234 0405

Email: [rebecca.glover@johnsonfellows.co.uk](mailto:rebecca.glover@johnsonfellows.co.uk)

Rebecca Glover is the client accountant responsible for this property.



### **Service Charge Apportionment**

The service charge is shared between residential and commercial leaseholders. The service charge apportionment for each schedule is noted within the Service Charge Apportionment Schedule at Appendix A.

- Schedule 1: Residential Leaseholders
- Schedule 2: All Leaseholders (No longer used)
- Schedule 3: Commercial Leaseholders
- Schedule 4: Residential Leaseholders (excluding Flat 1)

Following a recent measured survey the service charge apportionment percentages have been adjusted based on the Gross Internal Area (GIA) of the individual units as a percentage of the total GIA. Apportioning based on floor areas is regarded as best practice in accordance with the Service Charges in Commercial Property; RICS Code of Practice. The previous basis of using Rateable Values is regarded as outdated. The adjustments will be backdated to the commencement of the service charge year 1<sup>st</sup> April 2014 – 31<sup>st</sup> March 2015.

As a result of the measured survey, shared expenditure is to be split 66% for the residential leaseholders and 34% for the commercial leaseholders. This results in a return to the same apportionment figures that were used prior to the decision to adopt a 50/50 split at the commencement of the service charge year 1<sup>st</sup> April 2014 – 31<sup>st</sup> March 2015.

The individual unit percentages have also been adjusted slightly as detailed at Appendix A.



## Expenditure Commentary

### **SCHEDULE 1 – Residential Leaseholders**

**All figures are shown inclusive of VAT**

- **External Cleaning** **£0.00**

A provision was made for any external cleaning or fly tipping removal that may be required during the year. No costs were incurred under this heading.

- **Window Cleaning** **£300.00**

This figure represents the cost of cleaning the external windows of the residential parts of the building once per year.

- **Building Repair** **£594.00**

The expenditure relates to the gutter clearing/repair works and associated scaffolding, together with other minor items of repair and maintenance. The costs have been split between the residential and commercial tenants.

- **External Decoration** **£3,124.00**

The expenditure relates to the overhaul of the rendering and redecoration of the external parts of the building. The costs have been split between the residential and commercial tenants.

- **Drain Maintenance** **£213.84**

The cost relates to the inspection and jetting of blocked drains. The cost is shared between the residential and commercial tenants.

- **Landscaping** **£2,068.80**

The expenditure relates to the landscaping contract together with any additional non contract pruning works. The cost is shared between the residential and commercial tenants.

- **Pest Control** **£336.60**

Whilst not originally budgeted for, a decision was taken midway through the service charge year to implement a pest control contract due to signs of rodent activity. The cost is shared between the residential and commercial tenants.

- **Health & Safety** **£0.00**

The budget allowed for a contingency for any essential works following the completion of a Fire Risk Assessment in the previous year. No works were required or expenditure incurred.



- **Reserve Fund** **£500.00**

The figure represents the annual contribution from the residential tenants into the reserve fund. Funds are being accrued to allow for the resurfacing of the walkway to the rear of the property.

- **Buildings Insurance** **£2,347.35**

The cost provides the total buildings insurance premium for the residential units. The insurance premium is not subject to VAT. Also included is the cost of the insurance reinstatement valuation.

- **Audit Fee** **£297.00**

The RICS Service Charge Code of Practice states that service charge accounts for residential & commercial properties are to be independently certified on an annual basis. The cost covers the fee raised by the Accountants for certifying the year end service charge accounts; the fee is shared among the residential and commercial tenants.

- **Management Fee** **£3,834.76**

This figure represents the cost incurred to prepare and manage the service charge at the property for a 12 month period. The overall fee this year is £4,841.00 + VAT and is shared between both commercial and residential leaseholders. This is in line with the budget figure.

### **Total**

**Schedule 1 (Gross) £13,616.35**

### ***SCHEDULE 3 – Commercial Leaseholders***

***All figures are shown net of VAT***

- **External Cleaning** **£0.00**

A provision was made for any external cleaning or fly tipping removal that may be required during the year. No costs were incurred under this heading.

- **Building Repair** **£306.00**

The expenditure relates to the gutter clearing/repair works and associated scaffolding, together with other minor items of repair and maintenance. The costs have been split between the residential and commercial tenants.

- **External Decoration** **£1,341.11**

The expenditure relates to the overhaul of the rendering and redecoration of the external parts of the building. The costs have been split between the residential and commercial tenants.



- **Drain Maintenance** **£91.80**

The cost relates to the inspection and jetting of blocked drains. The cost is shared between the residential and commercial tenants.

- **Landscaping** **£888.18**

The expenditure relates to the landscaping contract together with any additional non contract pruning works. The cost is shared between the residential and commercial tenants.

- **Pest Control** **£144.50**

Whilst not originally budgeted for, a decision was taken midway through the service charge year to implement a pest control contract due to signs of rodent activity. The cost is shared between the residential and commercial tenants.

- **Health & Safety** **£0.00**

The budget allowed for a contingency for any essential works following the completion of a Fire Risk Assessment in the previous year. No works were required or expenditure incurred.

- **Reserve Fund** **£500.00**

The figure represents the annual contribution from the residential tenants into the reserve fund. Funds are being accrued to allow for the resurfacing of the walkway to the rear of the property.

- **Building Insurance Including Loss of Rent Cover** **£1,465.71**

The cost provides the total buildings insurance premium for the commercial units. Also included is the cost of the insurance reinstatement valuation and loss of rent cover.

- **Audit Fee** **£130.00**

The RICS Service Charge Code of Practice states that service charge accounts for residential & commercial properties are to be independently certified on an annual basis. This cost covers the fee raised by the Accountants for certifying the year end service charge accounts; the fee is shared among the residential and commercial tenants.

- **Management Fee** **£1,646.20**

This figure represents the cost incurred to prepare and manage the service charge at the property for a 12 month period. The overall fee this year is £4,841.00 + VAT and is shared between both commercial and residential leaseholders. This is in line with the budget figure.

**Total**

**Schedule 3 (Net) £6,513.50**



**SCHEDULE 4 – Residential Leaseholders Excluding Flat 1**

**All figures are shown inclusive of VAT**

- **Cleaning** **£1,880.64**

The expenditure relates to the cost of the weekly cleaning of the internal common areas to the residential flats.

- **Building Repairs** **£280.80**

The budget heading provided a contingency sum for any unforeseen items of repair. The cost relates to the replacement of a coded lock.

- **Decoration** **£0.00**

The budget heading provided a contingency sum for any essential items. No expenditure was incurred.

- **Electrical Repair** **£435.60**

The budget heading provided a contingency sum for any unforeseen electrical repairs. The costs relate to the replacement of a faulty PIR sensor and an emergency light fitting.

- **Electricity Supply** **£459.34**

The expenditure is for the electricity supply to the common areas of the residential flats.

- **Health & Safety** **£0.00**

The budget figure allowed for the replacement of the nosings to the communal stairs as identified within the Fire Risk Assessment. These works were completed, but were funded from an insurance risk improvement fund. They were therefore at no cost to the tenants. Additional works that were completed at no cost include the external fire escape nosings and the jet washing of the moss from the rear walkways.

**Total**

**Schedule 4 (Gross) £3,056.38**

.....  
Management Surveyor

.....  
Partner

.....  
Dated 23<sup>rd</sup> September 2015

.....  
Dated 23<sup>rd</sup> September 2015



**Appendix A**

**Jacey Buildings, 40/48 Birmingham Road, Sutton Coldfield, West Midlands B72 1QQ**

**Service Charge Apportionment Schedule**

**1<sup>st</sup> April 2014 to 31<sup>st</sup> March 2015 - Revised Apportionments following measurement**

Unit	GIA Floor Area Sq Ft	Schedule	Percentage
Flat 1	1,304	1	16.80%
Flat 2	645	1	8.32%
Flat 3	645	1	8.32%
Flat 4	645	1	8.32%
Flat 5	645	1	8.32%
Flat 6	645	1	8.32%
Flat 7	645	1	8.32%
Flat 8	645	1	8.32%
Flat 9	645	1	8.32%
Flat 10	645	1	8.32%
Flat 11	645	1	8.32%
	<b>7,754</b>	<b>1 Total</b>	<b>100.00%</b>
40	602	3	15.23%
42	633	3	16.01%
44	727	3	18.39%
46/48	1,991	3	50.37%
	<b>3,953</b>	<b>3 Total</b>	<b>100.00%</b>
Flat 2	645	4	10.00%
Flat 3	645	4	10.00%
Flat 4	645	4	10.00%
Flat 5	645	4	10.00%
Flat 6	645	4	10.00%
Flat 7	645	4	10.00%
Flat 8	645	4	10.00%
Flat 9	645	4	10.00%
Flat 10	645	4	10.00%
Flat 11	645	4	10.00%
	<b>6,450</b>	<b>4 Total</b>	<b>100.00%</b>

Schedule 1 - Residential

Schedule 3 - Commercial Only

Schedule 4 - Residential Excl Flat 1

Shared costs are to be split between residential and commercial 34% / 66% based on total GIA's



## Appendix B

**Jacey Buildings, 40/48 Birmingham Road, Sutton Coldfield, West Midlands B72 1QQ**

### **Service Charge Variance Schedule**

**1st April 2014 to 31st March 2015**

The property is VAT registered. Figures for Schedules 1 & 4 shown inclusive of VAT. Schedule 3 figures shown net of VAT.

Service Charge Item	Schedule	Budget 2014/2015	Actual 2014/2015	Actual v Budget Variance %	Actual v Budget Variance £
External Cleaning	1	£ 180	£ -	-100.00%	-£ 180
Window Cleaning	1	£ 300	£ 300	0.00%	£ -
Building Repair	1	£ 750	£ 594	-20.80%	-£ 156
External Decoration	1	£ 2,400	£ 3,124	30.17%	£ 724
Drain Maintenance	1	£ 300	£ 214	-28.72%	-£ 86
Landscape	1	£ 1,500	£ 2,069	37.92%	£ 569
Pest Control	1	£ -	£ 337	100.00%	£ 337
Health & Safety	1	£ 300	£ -	-100.00%	-£ 300
Reserve Fund	1	£ 500	£ 500	0.00%	£ -
Buildings Insurance	1	£ 1,379	£ 2,347	70.22%	£ 968
Audit Fees	1	£ 240	£ 297	23.75%	£ 57
Management Fees	1	£ 2,905	£ 3,835	32.01%	£ 930
<b>1 Total</b>		<b>£ 10,754</b>	<b>£ 13,616</b>	<b>26.62%</b>	<b>£ 2,862</b>
External Cleaning	3	£ 150	£ -	-100.00%	-£ 150
Building Repair	3	£ 625	£ 306	-51.04%	-£ 319
External Decoration	3	£ 2,000	£ 1,341	-32.94%	-£ 659
Drain Maintenance	3	£ 250	£ 92	-63.28%	-£ 158
Landscape	3	£ 1,250	£ 888	-28.95%	-£ 362
Pest Control	3	£ -	£ 145	100.00%	£ 145
Health & Safety	3	£ 250	£ -	-100.00%	-£ 250
Reserve Fund	3	£ 500	£ 500	0.00%	£ -
Buildings Insurance inc Loss of Rent	3	£ 1,883	£ 1,466	-22.16%	-£ 417
Audit Fees	3	£ 200	£ 130	-35.00%	-£ 70
Management Fees	3	£ 2,421	£ 1,646	-32.00%	-£ 775
<b>3 Total</b>		<b>£ 9,529</b>	<b>£ 6,514</b>	<b>-31.65%</b>	<b>-£ 3,016</b>
Cleaning	4	£ 1,860	£ 1,881	1.11%	£ 21
Building Repair	4	£ 240	£ 281	17.00%	£ 41
Decoration	4	£ 240	£ -	-100.00%	-£ 240
Electrical Repair	4	£ 240	£ 436	81.50%	£ 196
Electricity Supply	4	£ 480	£ 459	-4.30%	-£ 21
Health & Safety	4	£ 240	£ -	-100.00%	-£ 240
<b>4 Total</b>		<b>£ 3,300</b>	<b>£ 3,056</b>	<b>-7.38%</b>	<b>-£ 244</b>



## Appendix C

### **The Service Charges (Summary of Rights and Obligations, and Transitional Provision) (England) Regulations 2007**

- (1) This summary, which briefly sets out your rights and obligations in relation to variable service charges, must by law accompany a demand for service charges. Unless a summary is sent to you with a demand, you may withhold the service charge. The summary does not give a full interpretation of the law and if you are in any doubt about your rights and obligations you should seek independent advice.
- (2) Your lease sets out your obligations to pay service charges to your landlord in addition to your rent. Service charges are amounts payable for services, repairs, maintenance, improvements, insurance or the landlord's costs of management, to the extent that the costs have been reasonably incurred.
- (3) You have the right to ask a leasehold valuation tribunal to determine whether you are liable to pay service charges for services, repairs, maintenance, improvements, insurance or management. You may make a request before or after you have paid the service charge. If the tribunal determines that the service charge is payable, the tribunal may also determine:
  - a. who should pay the service charge and who it should be paid to;
  - b. the amount;
  - c. the date it should be paid by; and
  - d. how it should be paid.

However, you do not have these rights where:

- e. a matter has been agreed or admitted by you;
  - f. a matter has already been, or is to be, referred to arbitration or has been determined by arbitration and you agreed to go to arbitration after the disagreement about the service charge or costs arose;
  - g. or a matter has been decided by a court.
- (4) If your lease allows your landlord to recover costs incurred or that may be incurred in legal proceedings as service charges, you may ask the court or tribunal, before which those proceedings were brought, to rule that your landlord may not do so.
  - (5) Where you seek a determination from a leasehold valuation tribunal, you will have to pay an application fee and, where the matter proceeds to a hearing, a hearing fee, unless you qualify for a waiver or reduction. The total fees payable will not exceed £500, but making an application may incur additional costs, such as professional fees, which you may also have to pay.
  - (6) A leasehold valuation tribunal has the power to award costs, not exceeding £500, against a party to any proceedings where:
    - a. it dismisses a matter because it is frivolous, vexatious or an abuse of process; or
    - b. it considers a party has acted frivolously, vexatiously, abusively, disruptively or unreasonably.

The Lands Tribunal has similar powers when hearing an appeal against a decision of a leasehold valuation tribunal.

- (7) If your landlord:
  - a. proposes works on a building or any other premises that will cost you or any other tenant more than £250, or



- b. proposes to enter into an agreement for works or services which will last for more than 12 months and will cost you or any other tenant more than £100 in any 12 month accounting period,

Your contribution will be limited to these amounts unless your landlord has properly consulted on the proposed works or agreement or a leasehold valuation tribunal has agreed that consultation is not required.

- (8) You have the right to apply to a leasehold valuation tribunal to ask it to determine whether your lease should be varied on the grounds that it does not make satisfactory provision in respect of the calculation of a service charge payable under the lease.
- (9) You have the right to write to your landlord to request a written summary of the costs which make up the service charges. The summary must:
  - a. cover the last 12 month period used for making up the accounts relating to the service charge ending no later than the date of your request, where the accounts are made up for 12 month periods; or
  - b. cover the 12 month period ending with the date of your request, where the accounts are not made up for 12 month periods
- (10) The summary must be given to you within 1 month of your request or 6 months of the end of the period to which the summary relates whichever is the later.
- (11) You have the right, within 6 months of receiving a written summary of costs, to require the landlord to provide you with reasonable facilities to inspect the accounts, receipts and other documents supporting the summary and for taking copies or extracts from them.
- (12) You have the right to ask an accountant or surveyor to carry out an audit of the financial management of the premises containing your dwelling, to establish the obligations of your landlord and the extent to which the service charges you pay are being used efficiently. It will depend on your circumstances whether you can exercise this right alone or only with the support of others living in the premises. You are strongly advised to seek independent advice before exercising this right.
- (13) Your lease may give your landlord a right of re-entry or forfeiture where you have failed to pay charges which are properly due under the lease. However, to exercise this right, the landlord must meet all the legal requirements and obtain a court order. A court order will only be granted if you have admitted you are liable to pay the amount or it is finally determined by a court, tribunal or by arbitration that the amount is due. The court has a wide discretion in granting such an order and it will take into account all the circumstances of the case.